



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 06-4, Kentucky State Income Tax Withholding

Date: April 6, 2006

To: Holders of TAXES (State of Kentucky only)
Personnel User Groups
T&A Contact Points in Kentucky

Beginning with wages paid for Pay Period 7, the National Finance Center (NFC) will increase the standard deduction from \$1,910 to \$1,970 for the withholding of Kentucky state income tax.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

MARK J. HAZUDA, Director
Government Employees Services Division

Kentucky State Income Tax Information

State Abbreviation: KY
State Tax Withholding State Code: 21
Acceptable Exemption Form: K-4
Basis For Withholding: State Exemptions
Acceptable Exemption Data: 0 / Number of Exemptions
TSP Deferred: Yes
Special Coding: Determine the Total Number Of Allowances field as follows:
 First Position - Enter 0 (zero).
 Second and Third Positions - Enter the number of exemptions claimed.
Additional Information: None

Withholding Formula ►(Effective Pay Period 7, 2006)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes flexible spending account - health care and dependent care deductions) from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.
5. Subtract the standard deduction of ►\$1,970◄ from the result of step 4 to compute the taxable income.
6. Apply the taxable income computed in step 5 to the following table to determine the annual Kentucky tax withholding.

Tax Withholding Table

If the Amount of Taxable Income Is:		The Amount of Kentucky Tax Withholding Should Be:			
Over:	But Not Over:				Of Excess Over:
\$ 0	\$ 3,000	\$ 0	plus	2%	\$ 0
3,000	4,000	60	plus	3%	3,000
4,000	5,000	90	plus	4%	4,000
5,000	8,000	130	plus	5%	5,000
8,000	\$75,000	280	plus	5.8%	8,000
75,000	and over	4.166	plus	6%	75,000

7. Determine the exemption allowance by applying the following guideline and subtract this amount from the result of step 6 to compute the annual Kentucky tax withholding.

$$\text{Exemption Allowance} = \$20 \times \text{Number of Exemptions}$$

8. Divide the annual Kentucky tax withholding by 26 to obtain the biweekly Kentucky tax withholding.